

AMENDED IN SENATE AUGUST 30, 2005

AMENDED IN SENATE AUGUST 15, 2005

AMENDED IN SENATE JULY 12, 2005

AMENDED IN ASSEMBLY MAY 26, 2005

AMENDED IN ASSEMBLY MARCH 9, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 55

Introduced by Assembly Member Mullin

(Principal coauthor: Senator Alquist)

(Coauthors: Assembly Members Baca, Berg, Bermudez, Cohn, Dymally, Evans, Hancock, Jones, Karnette, Levine, Nava, Negrete McLeod, Parra, Pavley, Ruskin, Salinas, Wolk, and Yee)

(Coauthors: Senators Denham and Soto)

December 6, 2004

An act to add Section 22955.1 to, and to repeal and add Section 22954.1 of, the Education Code, relating to state teachers' retirement, making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 55, as amended, Mullin. State teachers' retirement: appropriations.

(1) Under the existing Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to

retired members of the Defined Benefit Program of the State Teachers' Retirement System. Existing law decreases that appropriation by \$500,000,000 for the 2003–04 fiscal year.

This bill would provide that a certain percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be credited to the Supplemental Benefit Maintenance Account from the Teachers' Retirement Fund each year for 4 years commencing July 1, 2006.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the Legislature and the Department of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036 and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers' Retirement System to make those payments, as specified, until June 30, 2036.

This bill would delete that requirement.

(3) Under the Teachers' Retirement Law, on and after July 1, 2003, a continuous appropriation equal to 2.541 of creditable compensation, as specified, is to be made annually from the General Fund to the Teachers' Retirement Fund.

This bill would make an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund on July 1, 2008, and each July 1, until July 1, 2012, in an amount equal to a percentage of creditable compensation for a certain period, as specified. The amount would be adjusted based on the average annual rate of return on investment of funds in the Teachers' Retirement Fund, according to a specified schedule. The bill would provide that if the amount appropriated is reduced pursuant to these provisions, the excess amount would be treated as a credit for other amounts continuously appropriated to the fund, as specified.

(4) The bill would include a statement of legislative intent regarding purchasing power protection for retired educators. The bill would also include a statement of legislative findings regarding the effect of the bill on the actuarial soundness of the Teachers' Retirement Fund.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. It is the intent of the Legislature to restore over
2 time the funding provided under current law, in order to provide
3 purchasing power protection for retired pensioners in CalSTRS,
4 so that the 63,000 retired educators, who are mostly women with
5 an average age of 82 years, can receive the level of purchasing
6 power protection provided for by law.

7 SEC. 2. Section 22954.1 of the Education Code is repealed.

8 SEC. 3. Section 22954.1 is added to the Education Code, to
9 read:

10 22954.1. On July 1, 2006, and each July 1, thereafter to July
11 1, 2009, inclusive, an amount equal to 0.6843 percent of the total
12 of the creditable compensation of the fiscal year ending in the
13 immediately preceding calendar year upon which members'
14 contributions are based shall be credited to the Supplemental
15 Benefit Maintenance Account from the Teachers' Retirement
16 Fund. This rate shall be adjusted by the board to reflect any
17 changes in the rate of interest credited to accumulated reserves
18 pursuant to subdivision (b) of Section 22216.

19 SEC. 4. Section 22955.1 is added to the Education Code, to
20 read:

21 22955.1. (a) In addition to the amount appropriated pursuant
22 to Section 22955, and notwithstanding Section 13340 of the
23 Government Code, on July 1, 2008, and each July 1, thereafter,
24 to July 1, 2012, inclusive, a continuous appropriation is hereby
25 made from the General Fund to the Controller for transfer to the
26 Teachers' Retirement Fund equal to 0.6456 percent of the total of
27 the creditable compensation of the fiscal year ending in the
28 immediately preceding calendar year upon which members'
29 contributions are based.

30 (b) The amount appropriated pursuant to subdivision (a) shall
31 be adjusted by an amount equal to the percentage of the total of
32 the creditable compensation of the ~~2009-2010~~ 2010-11 fiscal
33 year upon which members' contributions are based set forth
34 opposite the actual average annual rate of return on the
35 investment of funds in the Teachers' Retirement Fund from July
36 1, 2004, to June 30, 2012, inclusive, as reported by the board on
37 or before September 1, 2012, to the Director of Finance and the
38 Controller in accordance with the following schedule:

1	If the average annual rate of return is:	The percentage is:
2	Less than 3.5 percent.....	-1.0010 percent
3	At least 3.5 but less than 5 percent.....	-0.6999 percent
4	At least 5 percent but less than 6.5 percent.....	-0.3672 percent
5	At least 6.5 percent but less than 8 percent.....	0.0000 percent
6	At least 8 percent but less than 9.5 percent.....	0.4047 percent
7	At least 9.5 percent but less than 11 percent.....	0.8501 percent
8	Equal to or greater than 11 percent.....	1.3397 percent

9

10 (c) Any additional amount appropriated pursuant to
 11 subdivision (b) shall be transferred to the Teachers' Retirement
 12 Fund within five calendar days of the report by the board to the
 13 Director of Finance and the Controller. If the amount
 14 appropriated pursuant to subdivision (a) is reduced pursuant to
 15 subdivision (b), the excess amount transferred to the Teachers'
 16 Retirement Fund shall be treated as a credit for the amount
 17 appropriated pursuant to Section 22955 for transfer to the
 18 Teachers' Retirement Fund during the 2012-13 fiscal year.

19 (d) The Legislature reserves the right to amend this section to
 20 increase the contribution rate prior to July 1, 2012, in order to
 21 provide an appropriation that is actuarially equivalent to the
 22 appropriation made in subdivisions (a) and (b), as determined by
 23 the board in an actuarial analysis requested by the board. Any
 24 resulting change in the appropriation shall be in lieu of any
 25 appropriation made by this section that has not yet been
 26 transferred to the Teachers' Retirement Fund.

27 SEC. 5. The Legislature finds and declares that the actuary
 28 retained by the Teachers' Retirement Board has determined that
 29 the appropriation to the Teachers' Retirement Fund may be
 30 decreased and later increased in the manner prescribed by this act
 31 without impairing the actuarial soundness of the fund.